

Background

When the Department of Finance froze spending of general obligation bond funds last December, the SNC and other agencies received instruction to “cease authorizing any new grants or obligations for bond projects” (*Budget Letter 08-33 dated 12/18/08*). Staff understood that direction to mean that we should not take action that would result in the approval of any bond-funded projects beyond those that had already been authorized by this Board on December 4, 2008 – prior to the freeze.

At the time of the freeze, we had already received 30 applications for our 2008-09 competitive grant program, which were in the process of evaluation. After consulting with Board Chair Mike Chrisman and Vice Chair Steve Wilensky, we agreed to finish evaluating the competitive applications since they were far enough along that we wouldn’t need to spend bond funds to complete the review process. The intent was to be prepared to bring competitive recommendations forward to the Board either in September or December once the freeze on new authorizations was lifted.

Current Status

While bond funds have been freed up to restart projects that were frozen in December, there has been no word on when new funds will be made available to allow for new authorizations. As mentioned under Agenda Item VIIb, SNC staff has not moved forward on evaluation of the Strategic Opportunity Grant applications received in February, nor have we taken action to implement a grant program this fiscal year. However, we have completed all necessary evaluation of the 2008-09 competitive applications and could bring recommendations forward to the Board for action in December, should new funding be available at that time.

Next Steps

If new bond funds are available in time for the December Board meeting, staff will have our FY 2008-09 competitive recommendations ready for Board consideration and action. In the event there are no new funds at that time, the SNC has been researching – in conjunction with other state agencies – the possibility of bringing 2008-09 competitive recommendations to the Board in December for “conditional” approval. Conditional approval would be contingent upon there being new funds available for the competitive projects by a certain date. If no new funds were forthcoming by the date identified, the applications, the SNC staff recommendations and the Board’s conditional approvals would sunset.

The idea behind conditional approvals is to allow grantees to leverage eventual State funding and strengthen their applications with other funding sources. For example, the grantees could use the conditional approvals to encourage additional project partners, or as evidence of future matching funds, or to help generate more in-kind contributions of time or materials. Conditional approval would also allow SNC staff to move

expeditiously once authorization is given for new grants. At the time this staff report was prepared, no official word has been received on the conditional approval issue, but initial indications appear positive.

Recommendation

It is recommended that the Board direct staff to bring 2008-09 competitive recommendations forward to the Board in December 2009 if new bond funds are available at that time.

It is further recommended that the Board direct staff to continue researching the viability of “conditional” approvals for FY 2008-09 competitive applications and, if deemed appropriate by staff, to bring recommendations to the Board in December for “conditional” approval if no new bond funds are available before the December 2009 meeting.